

BEFORE THE
ILLINOIS COMMERCE COMMISSION

IN THE MATTER OF:)
)
FRONTIER COMMUNICATIONS OF)
AMERICA, INC.)
) No. 00 -0505
Application for a Certificate)
of Authority to Operate)
as a Facilities-Based)
and Resold Carrier of)
Local and Long Distance)
Telecommunications Services)
Statewide in the State of)
Illinois.)
Chicago, Illinois

August 22, 2000

Met pursuant to notice at 9:00 a.m.

BEFORE :

MR. JOHN RILEY, Administrative Law Judge.

1 APPEARANCES:

2 MR. MICHAEL NIGHAN
3 180 South Clinton Avenue
4 Rochester, New York 14646
5 Appearing via telephone for the Applicant;

6 MR. ROBERT KOCH and
7 MS. CINDY JACKSON
8 527 East Capitol Avenue
9 Springfield, Illinois 62794.
10 Appearing via telephone for the Staff
11 of the Illinois Commerce Commission.
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22 SULLIVAN REPORTING COMPANY, by
Giraida B. Bordabeheres, CSR

1	I N D E X				
2	Witnesses:	Direct	Cross	Re - direct	Re- cross By Examiner
3	Michael Nighan		10		5
4			19		21

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8	Number	E X H I B I T S For Identification		In Evidence	
9	Applicant's				
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1 JUDGE RILEY: Pursuant to the direction of the
2 Illinois Commerce Commission, I now call Docket
3 00-0505. This is an application by Frontier
4 Communications of America, Incorporated, for a
5 certificate of authority to operate as a
6 facilities-based and resold carrier of local and
7 long-distance telecommunications services statewide
8 in the state of Illinois.

9 Is my understanding correct, then, that
10 the -- that Frontier does not have -- necessarily
11 have a counsel in this case?

12 MR. NIGHAN: Yes. This is Michael Nighan, I will
13 be introducing the material for Frontier and we're
14 not represented by counsel.

15 JUDGE RILEY: Okay. And, Staff, you're on the
16 line also.

17 MR. KOCH: Yes.

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1 (Witness sworn.)

2 MICHAEL NIGHAN,

3 called as a witness herein, having been first duly

4 sworn, was examined and testified as follows:

5 EXAMINATION

6 BY

7 JUDGE RILEY:

8 Q. All right. Did you file prefiled testimony

9 in this matter?

10 A. Yes, I did. I'd like to make one correction

11 to that first.

12 Q. Let me get to that. Let me ask the

13 questions here.

14 A. Actually, the corrections are in the

15 application, not the prefiled testimony.

16 Q. Referring to the application, what was the

17 correction that you wanted to make?

18 A. On Question No. 11.

19 Q. Okay.

20 A. We stated in the third line: National

21 headquarters in Atlanta, Georgia. That's a bit of a

22 typo. The headquarters are in Rochester, New York.

1 Q. And is that where the books and records will
2 be kept?

3 A. Correct. And that's the only correction for
4 the application.

5 Q. All right. Then I will amend the
6 application to reflect that the answer to
7 Question 11 is that the applicant maintains its
8 books and records at its principal place of
9 business -- is that the national headquarters?

10 A. Correct.

11 Q. In Rochester, New York.

12 And now with regard to your testimony,
13 you had stated that you did cause prefiled testimony
14 to be filed in this matter?

15 A. Yes.

16 Q. And do you have a copy of that testimony
17 before you?

18 A. Yes, I do. And I'd ask that it be adopted
19 into the record as --

20 Q. Let me ask the questions.

21 A. All right.

22 Q. Was this testimony prepared by you or at

1 your direction?

2 A. Yes, it was.

3 Q. And as you read it today, are there any
4 changes, alterations or amendments to that
5 testimony?

6 A. No, there are not.

7 Q. Then I am going to mark this -- with your
8 acquiescence, I'm going to mark your testimony as
9 Applicant's Exhibit 1. Although, I'll hold off on
10 that. Actually, Frontier has filed three copies of
11 not only the -- your testimony but the financial
12 data, the application itself.

13 What I'm going to do is mark your
14 testimony as Applicant's Exhibit 1 and, Staff, do
15 you have any objection to that testimony being
16 admitted into evidence?

17 MR. KOCH: No.

18 MS. JACKSON: No.

19 JUDGE RILEY: Then the testimony of Mr. Nighan is
20 so admitted.

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1 (Whereupon, Applicant's Exhibit
2 No. 1 was marked for
3 identification and admitted
4 into evidence as of this date.)

5 BY JUDGE RILEY:

6 Q. Let me just ask a couple of questions of my
7 own here.

8 Mr. Nighan, is this a Delaware
9 corporation?

10 A. Yes, it is.

11 Q. And we've been over this, it is a -- books
12 and records are to be kept in Rochester, New York?

13 A. That's correct.

14 Q. Is it my understanding that your technical
15 support will be handled by your underlying carrier
16 in this matter?

17 A. That's correct. Carriers, plural.

18 Q. Does Frontier have facilities of its own?

19 A. Frontier Communications of America does not.

20 Q. And does it plan to?

21 A. No, it does not. Everything will be
22 contracted for or resold from other underlying

1 facilities carriers.

2 Q. And yet Frontier is still requesting that it
3 be granted a certificate for facilities-based
4 operations; is that correct?

5 A. At some point in the future. I should have
6 been clearer on that. At some point in the future
7 we intend to progress from local resale to
8 facilities-based local.

9 Q. So, facilities are contemplated, it's just
10 not known when at this point?

11 A. Not at start-up, correct. Should have been
12 clearer on that point.

13 Q. On the application itself, it has Frontier
14 Communications of America, Incorporated. Is that
15 the name of the entity that is applying for the
16 certificate?

17 A. Correct.

18 Q. And that is the name of the entity that is
19 shown on the certificate of authority to transact
20 business in Illinois?

21 A. Correct.

22 Q. And that change has been reflected with the

1 Delaware Secretary of State also; is that correct?

2 A. That's correct. The entity had a previous
3 name but the name was changed a few months ago to
4 Frontier Communications of America.

5 JUDGE RILEY: Then it's all in order then. Thank
6 you.

7 Staff, I don't have any more questions
8 right at this present time. Is Staff prepared to go
9 forward with the witness?

10 MS. JACKSON: Yes. This is Cindy Jackson. I
11 just have some clarifying questions.

12 JUDGE RILEY: Please proceed.

13 CROSS-EXAMINATION

14 BY

15 MS. JACKSON:

16 Q. In your application, Question No. 3, you
17 stated that you wanted a waiver of Part 735?

18 A. Correct.

19 Q. Is that waiver for your long-distance
20 authority?

21 A. For all long distance and the competitive
22 local exchange.

1 Q. Are you aware that Staff has not granted a
2 waiver of 735 for any local exchange carrier?

3 A. I was not aware of that, no.

4 Q. Only IXCs are eligible to receive the
5 waiver.

6 A. All right.

7 Q. So, do you want to amend your answer?

8 A. Well, I guess the question is, does Staff
9 feel that it is not in a position to ever grant that
10 waiver request?

11 Q. Well, let's say we've had over 200 cases and
12 it hasn't been granted.

13 A. All right. Then we will amend the request
14 and then deal with that point later.

15 Q. So your waiver of Part 735 is for your long -
16 distance authority only?

17 A. That's correct.

18 Q. You've also asked for a waiver of 735.180,
19 which is the directory provision.

20 A. Correct.

21 Q. How do you intend to list your customers in
22 a directory?

1 A. That will be handled through the incumbent
2 local exchange carrier in the territory that we
3 would be providing alternative local services in.
4 We would contract with the incumbent local exchange
5 carrier to include that material in their directory.

6 Q. Question No. 15 of the application asked how
7 you will bill for services.

8 Will you bill on a monthly basis?

9 A. Correct.

10 Q. Will you issue a detailed billing statement?

11 A. Correct, yes. We will be contracting for
12 billing functions with our current affiliated local
13 exchange carriers in Illinois.

14 Q. And your billing statement will list all
15 services, features, taxes and surcharges?

16 A. Correct.

17 Q. Question No. 16 of the application asked how
18 you propose to handle service billing and repair
19 complaints.

20 Can you briefly describe your complaint
21 process.

22 A. For -- let me check. For consumer

1 complaints to us or for complaints to the IXC
2 Commission? Let me see.

3 Q. For complaints to your company.

4 A. Complaints directed by the consumers.
5 Again, that will be contracted with the affiliated
6 incumbent local exchange carrier, so their existing
7 procedures will cover any complaints coming in for
8 Frontier Communications of America.

9 The Frontier Communications of America
10 invoice processed through the incumbent local
11 exchange carrier will include either a local or a
12 toll-free number for the consumer to call for any
13 inquiries. The then trained staff of the local
14 exchange carrier will deal with those issues on our
15 behalf under contract.

16 Q. And that staff, is that local exchange
17 carrier will be able to negotiate, say, billing
18 statements or credits for your company?

19 A. Correct.

20 Q. Is there any time where that local exchange
21 company's customer service people would forward a
22 complaint to you to handle?

1 A. We would be contracting entirely the
2 customer service functions to the incumbent local
3 exchange carrier.

4 Q. During this process, do you know if there's
5 an escalation procedure that the complainants can go
6 higher up if they don't like the information they've
7 received from the customer service representative?

8 A. Yes, and it will be a mirror of their
9 existing procedures. We're basically building a
10 mirrored structure of what they already have in
11 place in Illinois.

12 Q. And you ensure that they will notify the
13 customers that they have the right to contact the
14 Illinois Commerce Commission for additional
15 assistance?

16 A. Correct.

17 Q. What will be the hours of the business
18 office?

19 A. I can't tell you off the top of my head.
20 Again, it will be identical to whatever hours the
21 incumbent local exchange carrier has today.

22 Q. Do you happen to know the 800 number that

1 the customer will be calling?

2 A. Today, the customer is given a local number
3 to call. We will supplement that with an 800
4 number; but, again, in every case that we can
5 conceive of, the consumer will be calling a local
6 phone number to reach the customer service unit for
7 the incumbent local exchange carrier.

8 But we will establish a number, again,
9 as a fallback but that number has not yet been
10 established.

11 Q. Now turning to your testimony, Page 10.

12 A. All right.

13 Q. Lines 14 through 16, you say if the company
14 has a subscriber eligible for ITAC benefits, the
15 company will coordinate with the ILEC for the
16 provision of service?

17 A. Correct.

18 Q. Why would you not coordinate with ITAC?

19 A. Because -- and we should be clearer here, we
20 will coordinate -- we, of course, have applied --
21 filed with the application the applications for ITAC
22 and such but we will have contracted with the local

1 exchange carrier to handle this function as well on
2 our behalf.

3 Q. Are you aware that the local exchange
4 carrier does not contract for this for you and it's
5 your company's responsibility?

6 A. It is our responsibility to provide -- it's
7 our understanding that our responsibility is to
8 provide the service but that we can outsource that
9 provision.

10 Q. If you outsource it, you will outsource it
11 to ITAC?

12 A. All right.

13 Q. Okay. Page 12 of your testimony, Line 22
14 and 23, again, you state that you will work with the
15 incumbents to implement the requirements of UTAC.
16 Are you aware that UTAC is your company's
17 responsibility and not the ILEC's responsibility?

18 A. Again, to the extent that there are existing
19 procedures which preclude us using the incumbent
20 or -- let me try this again.

21 There are existing rulings,
22 determinations that preclude us from using the local

1 exchange carrier, we will directly coordinate, then,
2 with UTAC.

3 Q. So, you will --

4 MS. WIGHTMAN: Can I go off the record with a
5 clarification question?

6 JUDGE RILEY: You can ask a question but I'd just
7 as soon keep it on the record as long as he's under
8 oath. What do you need clarified?

9 MS. WIGHTMAN: My question is, when you say it
10 has to outsource back to ITAC -- and I understand
11 that ITAC actually administers the program; but if
12 they have to provide, say, TDD equipment to one of
13 their end users, do they actually get the equipment
14 from ITAC or do they get it from their affiliated
15 carrier?

16 MS. JACKSON: They send the customer to ITAC.
17 ITAC is a not-for-profit corporation formed by all
18 LECs in the state of Illinois to provide this
19 service.

20 MS. WIGHTMAN: And ITAC will actually provide the
21 equipment?

22 MS. JACKSON: Yes, they provide the equipment.

1 MS. WIGHTMAN: Okay. Thank you.

2 JUDGE RILEY: Proceed, Staff.

3 BY MS. JACKSON:

4 Q. So, you will agree that it is your company's

5 responsibility to implement UTAC's program and not

6 the ILEC's?

7 A. Correct, we will directly coordinate that,

8 then, with the two organizations rather than through

9 our local exchange carrier affiliates.

10 Q. How many employees does the company have?

11 A. All employees -- there are no direct

12 employees. All functions will be handled -- all

13 nonmanagement -- senior management functions will be

14 handled through -- under contract.

15 Q. Under contract with whom?

16 A. Again, the common local exchange carrier.

17 Q. Frontier has no employees?

18 A. Frontier Communications of America has no

19 direct employees, correct.

20 MS. JACKSON: Okay, thank you. That's all my

21 questions.

22 JUDGE RILEY: Thank you. Mr. Koch, did you want

1 to begin now?

2 MR. KOCH: Yes.

3 CROSS-EXAMINATION

4 BY

5 MR. KOCH:

6 Q. Mr. Nighan, the financial statements
7 submitted with this application are not of the
8 applicant; is that correct?

9 A. That's correct. It's of the ultimate parent
10 company, Global Crossing, Limited.

11 Q. And you submitted their financial statements
12 for what reason?

13 A. They bear -- it is -- traditionally when we
14 apply for company certification in any state, we
15 provide the financials of the parent company because
16 the parent company takes full responsibility for
17 financial operation of its subsidiaries.

18 Q. How soon could you submit to staff the most
19 recent income statement and balance sheet for the
20 applicant, Frontier Communications of America?

21 A. I believe by the 25th of this month; by this
22 coming Friday.

1 Q. How about a chart of accounts? How soon
2 could you submit a chart of accounts?

3 A. Same.

4 Q. Also, I had a question in regards to the use
5 of Frontier facilities in Illinois. I'm aware of a
6 transaction at least that's been proposed to have
7 these facilities purchased by another company. How
8 will your company be able to operate after the
9 Frontier companies are sold to -- maybe I should
10 reword that.

11 The Frontier company, the local
12 exchange carriers in Illinois have planned to sell
13 their operations to another company. How will your
14 company operate after those facilities have been
15 sold to the other company?

16 A. The agreement with the other company for the
17 purchase of our local exchange properties in
18 Illinois includes the purchase of Frontier
19 Communications of America.

20 So, there would be no change at all.
21 Everything would simply cease being Frontier and
22 commence being -- assuming everything was

1 approved -- would commence being under the name of
2 the new owner.

3 MR. KOCH: Thank you for your patience for that
4 question.

5 I have no further questions.

6 JUDGE RILEY: Unfortunately, I have quite a few
7 now.

8 FURTHER EXAMINATION

9 BY

10 JUDGE RILEY:

11 Q. Who is the parent company of Frontier
12 Communications of America?

13 A. The ultimate parent is Global Crossing,
14 Limited, which purchased Frontier Corporation on
15 September 26th, 1999.

16 Q. Is Global Crossing going to guarantee the
17 financial performance of Frontier Communications in
18 Illinois?

19 A. Yes.

20 Q. And how will they do this?

21 A. In any manner desired by the Commission.
22 Again, it has never been necessary in ever -- for

1 the parent company to ever actually be involved
2 directly in the finances of any of these
3 subsidiaries simply because the subsidiaries for
4 obvious business reasons are designed to be
5 self-supporting.

6 Q. So, they have their own income; their own
7 assets?

8 A. Frontier Communications of America has been
9 in operation for eight years, I believe, in six
10 other states. It's currently expanding into a
11 number of additional states; but it has been an
12 existing, thriving entity for a number of years.

13 Q. If that was the case, then why wasn't
14 Frontier Communications' financial data submitted
15 instead of Global Crossing's?

16 A. Because, again, that's corporate tradition,
17 I guess, for lack of a better term; that's how we've
18 always applied in all instances in all states for
19 ten years.

20 Q. What I want you to do is to make certain
21 that I receive a copy of the income statement or
22 whatever financial data is submitted on behalf of

1 Frontier Communications. Get that to me also.

2 A. No problem.

3 Q. I will mark that as Applicant's Late
4 Exhibit -- I'm sorry -- late-filed Exhibit No. 2.
5 And you can have that to me by Friday?

6 A. Correct.

7 Q. What is this about the sale of Frontier
8 Communications of America? I lost the thread of
9 that.

10 A. I guess I'll use the full name since
11 everything's public. Citizens Communications has
12 signed a definitive agreement with Global Crossing,
13 Limited, to purchase the corporation's incumbent
14 local exchange companies across the United States --
15 across 15 states. That, of course, would include
16 the, I believe, six local exchange carriers in
17 Illinois. As part of that agreement, Citizens is
18 also purchasing Frontier Communications of America.

19 So, in answer to Mr. Koch's question,
20 the relationship of Frontier Communications of
21 America to the incumbent local exchange carriers
22 will not change. It will simply be a matter of

1 assumably stripping off the Frontier name and
2 pasting on the Citizens name at some point, assuming
3 all the transactions are approved.

4 Q. So, Citizens -- Frontier -- the applicant is
5 going to go from being a subsidiary of Global to a
6 subsidiary of Citizens?

7 A. Yes, at some point, assuming that the
8 Commission approves the sale of the properties.

9 Q. I'm not sure that that's a matter of
10 Commission jurisdiction.

11 What I want to know is is Frontier
12 going to cease to exist or will it continue to exist
13 only under another name?

14 A. It will become a subsidiary of Citizens
15 Communications, at least the Frontier telephone
16 properties. Now, I need to be clear. The Frontier
17 telephone properties are being carved out, if you
18 will, from the Global Crossing family of companies.

19 Q. And is the name going to change to Frontier
20 Telephone Properties?

21 A. I'm afraid I don't understand your question.

22 Q. What is going to be the name of Frontier

1 Communications, Incorporated, after the sale is
2 complete?

3 A. Well, I mean, there is no Frontier
4 Communications, Incorporated. There are the
5 individual incumbent local exchange carriers in
6 Illinois; and whether or not there's any desire or
7 any intention of changing those names, I'm not privy
8 to that information.

9 And Frontier Communications of America,
10 again, if Citizens elects to change that name,
11 assuming that it's given authority in all the states
12 where they're required to obtain the company, I'm
13 not privy to that information either.

14 Q. Do you have any idea when this sale is going
15 to take place?

16 A. As soon as the 13 state commissions or any
17 of those that require approval have granted it,
18 tentatively scheduled for sometime in the first
19 quarter of 2001, again, depending on how the various
20 commissions treat the transaction.

21 JUDGE RILEY: Staff, do you have anything
22 further?

1 MR. KOCH: Not for the witness, no.

2 JUDGE RILEY: Do you have something further for
3 someone else?

4 MR. KOCH: I'm sorry.

5 MS. WIGHTMAN: I have just a question. You said
6 that the financials would be Late-Filed Exhibit 2.

7 JUDGE RILEY: Right.

8 MS. WIGHTMAN: I missed what Late-Filed Exhibit 1
9 was supposed to be.

10 JUDGE RILEY: It's not going to be Late-Filed
11 Exhibit 1. Mr. Nighan's testimony has been admitted
12 as Applicant's Exhibit 1.

13 MS. WIGHTMAN: Okay. Very good.

14 BY JUDGE RILEY:

15 Q. Well, just to make sure that I'm clear,
16 then, as of the present time, as of this hearing
17 date, it is Frontier Communications of America,
18 Incorporated, that is applying for a certificate of
19 authority in Illinois --

20 A. That's correct.

21 Q. -- to operate as a facilities-based and a
22 reseller of local and long-distance services?

1 A. Correct.

2 Q. And it does have its own financial support,
3 its own income and its own assets; is that correct?

4 A. Correct.

5 Q. One last area that I wanted to cover.

6 You said that it doesn't have any of
7 its own direct employees?

8 A. Correct.

9 Q. Does it have any managers or officers?

10 A. Again, that's what I mentioned before. When
11 you get to a certain level, the officers tend to be
12 officers of all companies.

13 So that, for example, the CEO of our
14 North American operations, Joseph Clayton, is also
15 the CEO of Frontier Communications of America.

16 Q. So, it does have --

17 A. Right. So they have shared officers once
18 you get to that level, correct.

19 Q. Has the managerial backgrounds and --

20 A. Yes, that's been provided.

21 Q. Those resumes have been submitted; I know
22 I've seen them, but these are the -- these would be

1 the officers that would be directly involved with
2 this company?

3 A. Correct.

4 Q. If you can get those exhibits to me as fast
5 as you can -- not the exhibits, I'm sorry. The
6 financial data of Frontier Communications of America
7 itself, get that to me as soon as you can.

8 JUDGE RILEY: If there is nothing further, then,
9 I'm going to direct the court reporter to mark this
10 matter heard and taken; and I'll have a -- I'll
11 await the submission of that Late-Filed Exhibit 2.

12 Is there anything further from Staff?

13 MR. KOCH: No, your Honor.

14 MS. JACKSON: No.

15 JUDGE RILEY: All right. Then, thank you very
16 much.

17 HEARD AND TAKEN. . . .

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